

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

RATE ADJUSTMENT DUE TO EXTRAORDINARY  
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2013-11

**UNITED STATES POSTAL SERVICE NOTICE  
OF REVISIONS TO THE STATEMENT OF ALTAF TAUFIQUE -- ERRATA**  
(October 18, 2013)

On September 26, 2013, the Postal Service filed its renewed Request for Exigent Relief, which was docketed by the Commission as Docket No. R2013-11. The Postal Service hereby provides notice of very minor changes to the Statement of Altaf Taufique, emanating from several different sources, as described below.

Inbound Surface Parcel Post

The first set of revisions relate to new rates published by the UPU for certain International mail subsequent to the filing of the Exigent Request. Related additional revisions are being made to USPS-R2010-4R/5, and to the Exigent Request document, and separate notices to that effect are also being filed today.

Specifically, as noted on page 24 of the Statement of Altaf Taufique, for purposes of the CPI filing (Docket No. R2013-10) that was made immediately prior to the Exigent filing, the Postal Service used placeholder estimates for Inbound International Surface Parcel Post prices to be effective in CY 2014. Such placeholder estimates were necessary because the actual prices were not announced by the UPU until after the date on which both the CPI case and the Exigent case were submitted. Now that the

UPU has released those prices, it is necessary to update certain portions of the Exigent filing to reflect the substitution in relevant calculations of the actual UPU prices for the placeholder estimates used earlier. In the Statement of Altaf Taufique, this causes changes in Table 2, listing the price changes by mail class and product. Specifically, Table 2 on page 9 is revised as follows:

Package Services row

Change “1.565” to “1.453”, change “4.303” to “4.308”, and change “5.935” to “5.823”

Inbound Surface Parcel Post row

Change “2.152” to “-1.597” in both places in the row that “2.152” appears

Note that none of the price adjustments presented in the Exigent Request is altered, but the percentage changes reflected in those price adjustments change as a result of the substitution of actual UPU prices for placeholder estimates.

Inbound First-Class Mail International

As with inbound Surface Parcel Post, placeholders were used in the workpapers for Internal Air Conveyance charges for inbound International First-Class Mail. And once again the UPU has now released actual IAC charges for FY14 that supersede the placeholders. Separate notices address the effect of these changes in the CPI case, and in the Exigent Request and the First-Class workpapers in this case. The substitution in the workpapers of the actual IAC charges in place of the estimated IAC charges causes the following revisions in the Taufique Statement:

Table 2 on page 9 is revised as follows:

First-Class Mail row

Change “1.587” to “1.618”, change “4.281” to “4.280”, and change “5.936” to “5.967”

FCMI row

Change “5.994” to “7.735”, change “2.391” to “2.353”, and change “8.459” to “10.270”

Page 13, line 20, change “4.281” to “4.280”

Table 3, page 14, First-Class Mail International Row, change “2.393” to “2.353”

### Periodicals

In preparing the September 26<sup>th</sup> filings, some of the new Periodicals prices were inadvertently entered into the Periodicals pricing spreadsheets with four significant digits in both the CPI and Exigent cases. The actual prices, however, only extend to three significant digits (tenths of cents). While the actual three-digit prices do represent the correctly rounded values of the four-digit prices used in the spreadsheets, using the unrounded four-digit prices in the spreadsheets changed some of the relevant calculations (percentage increases, remaining cap in bank, etc.). Therefore, the Periodicals spreadsheets in both the CPI case and the Exigent case have been recalculated using the actual (three-digit) prices. In the Exigent case, the effects of these revisions in the two cases create the need for revisions in the Statement of Altaf Taufique. Revisions are also made in the Exigent Request document, and in the Periodicals folder (USPS-R2010-4R/ 4), and separate notices about changes to those materials are being filed today. In the Taufique Statement, the changes are as follows:

In Table 2 on page 9:

#### Periodicals row

Change “1.568” to “1.664”; “4.297” to “4.095”; and “5.934” to “5.828”

#### Outside County row

Change “1.563” to “1.662”; “4.297” to “4.087”; and “5.927” to “5.817”

On page 20, line 16, change “4.3” to “4.1”

In Table 5 on page 20:

Outside County row  
Change “4.297” to “4.087”

#### Cumulative Effects

The cumulative effects of the above described changes cause very minor changes in overall percentage changes. These appear in the Statement as follows:

In Table 2, page 9, Total All Classes row:

Change “1.635” to “1.655”, “4.278” to “4.271”, and “5.995” to “5.996”

Page 10, line 14, change “1.6” to “1.7”

Page 10, footnote 9, change “1.6” to “1.7”

#### Typographical Errors

The following revisions are made to correct typographical errors:

On page 7, line 2, change “increases” to “increase”

In Table 2 on page 9, Standard Mail section, Flats row, change “6.159” to “6.169”

On page 17, line 3, change “passthrough” to “passthroughs”

Copies of revised pages 7, 9-10, 13-14, 17, and 20, with revised cells in Tables

highlighted in gray, are attached to this pleading.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Pricing & Product Support

Nabeel R. Cheema

475 L'Enfant Plaza, S.W.  
Washington, D.C. 20260-1137  
(202) 268-7178, Fax -5402  
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1 First-Class Mail Parcels prices proposed in Docket No. R2013-10  
2 increase by 6.3 percent, significantly above the 1.6 percent average increase  
3 proposed for the class as a whole.

4 An above-CPI increase is proposed for both Standard Mail Flats and  
5 Standard Mail Parcels, with increases of 1.809 and 1.820 percent, respectively.

6 For Periodicals, the Postal Service provides pricing signals to encourage  
7 mail preparation and entry behavior, which, in conjunction with requiring Flats  
8 Sequencing System (FSS) preparation, is expected to reduce costs for  
9 Periodicals. The Postal Service provides an incentive to enter mail closer to  
10 destination, and proposes an above-average increase for the Outside County  
11 bundle and sack prices, which currently fall well below costs. The intent is to  
12 gradually move Periodicals class towards covering its attributable costs.

13 Single-Piece Parcel Post (now Standard Post) within Package Services  
14 has been moved to the competitive list, while a higher than average increase  
15 (2.061 percent) is proposed for Library and Media Mail in Docket No. R2013-10,  
16 well above the average increase for Package Services.<sup>5</sup>

17 Within Special Services, only one product, Stamp Fulfillment Services  
18 (SFS), was reported with a cost coverage below 100 percent (59.3 percent).  
19 The Postal Service agrees with the Commission's conclusion that: "Although SFS  
20 does not cover its attributable costs, by providing a mechanism for the  
21 centralized ordering of stamps, it reduces the costs associated with the retail  
22 purchases of stamps. Thus, it promotes the objectives of reducing costs and

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<sup>5</sup> BPM Flats prices within Package Services have been proposed to increase less (0.314 percent) than average, so more of the cap space can be allocated to the underwater products.

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Table 2: Price Changes by Mail Class and Product

Class / Product	CPI Increase (%)	Exigent Increase (%)	CPI + Exigent (%)
First-Class Mail	1.618	4.280	5.967
Single-Piece Letters / Postcards	1.141	4.276	5.466
Presorted Letters / Postcards	1.615	4.291	5.975
Flats	1.267	4.627	5.953
Parcels	6.335	4.349	10.959
FCMI	7.735	2.353	10.270
Standard Mail	1.609	4.264	5.942
Letters	1.614	4.259	5.941
Flats	1.809	4.283	6.169
Parcels	1.820	4.335	6.233
High Density and Saturation Letters	1.322	4.212	5.590
High Density and Saturation Flats/ Parcels	1.412	4.261	5.733
Carrier Route	1.666	4.288	6.026
Every Door Direct Mail – Retail	5.000	4.167	9.375
Periodicals	1.664	4.095	5.828
Outside County	1.662	4.087	5.817
Within County	1.705	4.306	6.085
Package Services	1.453	4.308	5.823
Alaska Bypass	2.440	4.232	6.775
Bound Printed Matter Flats	0.314	4.626	4.955
Bound Printed Matter Parcels	1.680	4.484	6.239
Media Mail / Library Mail	2.061	4.304	6.454
Inbound Surface Parcel Post	-1.597	0.000	-1.597
Special Services	2.500	4.318	6.926
Ancillary Services	2.686	4.372	7.176
International Ancillary Services	1.521	4.188	5.773
Address Management Services	4.097	3.542	7.784
Caller Service	2.441	4.329	6.876
Credit Card Authentication	0.000	5.000	5.000
International BRM Services	2.901	2.819	5.802
Money Orders	0.017	4.042	4.059
Post Office Box Service	2.621	4.177	6.906
Customized Postage	3.175	4.308	7.619
Stamp Fulfillment Services	0.000	5.005	5.005
Total All Classes	1.655	4.271	5.996

1 Together with the CPI price change also filed today, these changes  
2 produce an overall increase of slightly under 6.0 percent from current prices.  
3 Sections III and IV provide a more detailed discussion of these pricing changes.  
4 The complete set of pricing changes is presented in Attachment A to the  
5 Renewed Exigent Request in Response to Order No. 1059.

6  
7 **III. The Proposed Price Adjustments are Reasonable and Equitable**

8 A. The Postal Service's Exigent Pricing Proposal is Reasonable and  
9 Equitable

10  
11 1. The limited price increase is reasonable.

12  
13 The exigent increase of 4.3 percent over and above the CPI increase of  
14 approximately 1.7 percent is a reasonable increase.<sup>9</sup> The exigent financial  
15 damage to the Postal Service resulting from the Great Recession and related  
16 volume declines exceeds \$6.6 billion of annual contribution.<sup>10</sup> In comparison, the  
17 increases of 6.0 percent (for the CPI case and the Exigent case combined) and  
18 4.3 percent (the exigent increase alone) generate additional annual contributions  
19 of \$2.36 billion and \$1.78 billion, respectively, and therefore are moderate and  
20 reasonable in light of the losses from the Great Recession.<sup>11</sup> In light of the slow  
21 economic recovery from the Great Recession and continued electronic diversion,  
22 the Postal Service is mindful of the impact of a larger price increase on its  
23 business customers and on the mailing public in general. The Postal Service is  
24 concerned that the accelerated electronic diversion caused by this recession  
25 could be exacerbated by an increase larger than the one proposed in this docket.

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<sup>9</sup> The average 1.7 percent increase includes a Special Services increase of 2.5 percent.

<sup>10</sup> Nickerson Statement at 2-3.

<sup>11</sup> Nickerson Statement at 4.

1 considered in the context of all classes and products under the across-the-board  
2 approach.

3 Generally, major products within these classes also increase by  
4 approximately 6 percent. Most of the over 6 percent increases result from above-  
5 average price increases in the CPI case to address the underwater status of  
6 certain products. First-Class Mail Parcels, Standard Mail Flats and Parcels, and  
7 Media and Library Mail within Package Services are above 6 percent for this  
8 reason. The prices for First-Class Mail International are proposed to increase by  
9 8.5 percent because the CPI increase is substantially above average, reflecting  
10 the increase in inbound prices determined by the UPU. A relatively high CPI  
11 price increase is justified for Every Door Direct Mail – Retail, because it is a  
12 relatively new, popular mailing option. The foundation of this product is simplicity  
13 and convenience; the resulting price of 17.5 cents, with its half-cent increment, is  
14 consistent with this product theme. This increase results in a relatively high  
15 overall increase. Address Management Services and Customized Postage  
16 increase more than 7 percent because of rounding constraints.

#### 17 **IV. Review of Price Changes by Class**

##### 18 **A. First-Class Mail**

19  
20 In the Exigent proposal, First-Class Mail prices increase by 4.280 percent.  
21 The first-ounce price for a single-piece stamped letter will increase from 47 cents  
22 (Docket No. R2013-10) to 49 cents while the price of additional ounces increases  
23 from 20 cents to 21 cents. The following table summarizes the changes in First-  
24 Class Mail prices by products:

Table 3  
First-Class Mail Exigent Price Adjustments

Product	Percent Change
Single-Piece Letters & Cards	4.276
Presort Letters & Cards	4.291
Flats	4.627
Parcels	4.349
First-Class Mail International	2.353

#### *First-Class Mail Pricing Overview*

First-Class Mail, while no longer the largest class of mail in terms of volume, adds the most to revenue and contribution. The class is in the middle of a long-run volume decline. It is unlikely that the volume decline will level off or that volume growth will resume.

#### *Single-piece First-Class Mail*

The single-piece, first-ounce price, commonly known as the stamp price, is the most visible price offered by the Postal Service. As always, the choice of the stamp price reflects a careful balance of public policy considerations against the need for revenue to operate the Postal Service. Yet, despite the attention it draws, both in the public and regulatory arenas, the typical household is little affected by changes in the stamp price. A change of three cents in the stamp price, as results from the combined CPI and exigent increases, amounts to only about 30 cents per month for the typical household, which pays about \$5.00 per month for First-Class Mail.<sup>14</sup> Also, the introduction of a metered mail price (for all indicia except stamps and Postage Validation Imprint (PVI)) in the CPI case, at a price 1 cent lower than the stamp price, will mitigate the impact of the increases

<sup>14</sup> Based on estimates from the 2012 Household Diary Study.

the CPI filing, only four passthroughs exceed 100 percent: Mixed AADC Automation Cards, AADC Automation Cards, ADC Automation Flats, and 5-Digit Automation Flats. These passthroughs stay the same in the Exigent filing. They are all justified pursuant to section 3622(e)(2)(b).

## **B. Standard Mail**

The Postal Service is proposing Exigent price changes totaling 4.3 percent for Standard Mail. The changes by product are shown in the following table.

Table 4: Standard Mail Exigent Price Adjustments

Product	Percent Change
Letters	4.259
Flats	4.283
Parcels	4.335
High Density and Saturation Letters	4.212
High Density and Saturation Flats / Parcels	4.261
Carrier Route	4.288
EDDM – Retail	4.167

### *Standard Mail Pricing Overview*

Standard Mail volume has declined in recent years, mainly due to the difficult economic times. The Flats product has been particularly hard hit, with volume declines since 2008 exceeding 40 percent, driven by reductions in catalog mailings. These volume declines have helped to drive the Flats cost coverage down to only 80.9 percent in 2012. The Parcels product is also losing money.

1 nonmachinable 3-digit letters is 120.8 percent. These passthroughs are justified  
2 by exception 3622(e)(2)(b).

3 The Flats product has two passthroughs that exceed 100 percent, the  
4 nonautomation 5-digit flats discount and the prebarcoding discount. The  
5 nonautomation 5-digit flats passthrough is justified by exception 3622(e)(2)(b),  
6 while the prebarcoding passthrough is justified by exception 3622(e)(2)(d).

7 Three worksharing passthroughs for Standard Mail Parcels exceed 100  
8 percent: (1) NDC irregular parcels compared to mixed NDC irregular parcels, (2)  
9 NDC Marketing Parcels compared to mixed NDC Marketing Parcels, and (3) SCF  
10 Marketing Parcels compared to NDC Marketing Parcels. The nonbarcoded  
11 surcharge also exceeds the avoided costs of prebarcoding in the parcels cost  
12 model. These passthroughs are justified by exception 3622(e)(2)(d).

13 Furthermore, the Postal Service was able to keep commercial and  
14 nonprofit discounts equal to each other.

### 15 **C. Periodicals**

16 This price adjustment increases Periodicals prices by an average of 4.1  
17 percent overall. The breakdown of the price change by product and major  
18 category is shown in the following table.

19  
20 Table 5: Periodicals Exigent Price Adjustments  
21

Product	Percent Change
Outside County	4.087
Within County	4.306